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Minority

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November 16, 1999

Top 10 Myths About the Minimum Wage

Dear Colleague:

As various proposals to raise the minimum wage are being considered, I thought I would provide you with some responses to the critics' 10 top myths.

MYTH 1: The minimum wage leads to job loss for the poorest and lowest skilled workers.

REALITY: The last increase in the minimum wage – during 1996 and 1997 - was accompanied by *decreases* in the unemployment rate for minorities and those with only a high school degree or less. Between 1996 and the first half of 1999, unemployment for blacks fell from 10.5 percent to 7.3 percent, while unemployment for high school dropouts declined from 10.3 to 6.2 percent.

MYTH 2: The minimum wage only helps teenagers earn more spending money.

REALITY: Over 70 percent of all minimum wage workers are at least 20 years old.

MYTH 3: Many small businesses can't afford to pay a higher minimum wage.

REALITY: Over 8 percent *more* new companies were begun in 1998 (the year after the last minimum wage increase) than were begun in 1996, before the increases took place. New small business start-ups were 5.1 percent higher in 1997 than in 1996.

MYTH 4: The minimum wage is already high enough.

REALITY: An annual income based on the minimum wage is *below* the poverty rate for a family of four. Working full-time, a single parent would earn \$10,300 a year before taxes and benefits – *below* the national poverty rate for a parent with two children (\$13,120), and even below the rate for a parent and one child (\$11,235).

MYTH 5: Raising the minimum wage is inflationary.

REALITY: Although the 4.1 million minimum wage workers are a significant number of people, they represent only 3.8 percent of the total workforce. Any increase in the minimum wage would impact only a portion of all workers, which in turn is an even smaller portion of the total costs of doing business. Some states already have minimum wages above the national rate.

MYTH 6: The minimum wage makes it hard for people moving off welfare to find work.

REALITY: According to a recent Urban Institute study, 61 percent of those who left welfare these last few years have found jobs. Getting a job is not the problem – making it pay is. A third of former welfare recipients had to cut or skip a meal.

MYTH 7: Increasing the minimum wage will hurt US exports and attract more imports.

REALITY: Most of those earning the minimum wage work in the service and retail sectors, jobs which are extremely difficult to “move” overseas. Only 6.6 percent of manufacturing workers earn the minimum wage, not enough to have any appreciable impact on overall prices.

MYTH 8: We just raised it.

REALITY: The 1996-97 increase in the minimum wage restored its real value back to its 1983-84 level. Increasing the minimum wage by another \$1.00 over the next 2 or 3 years would bring the minimum wage to its 1980 level, yet still below its 1967 peak.

MYTH 9: It has held its value better than other wages in recent decades.

REALITY: The real value of the minimum wage has fallen more than the real value of wages for all hourly workers. After adjusting for inflation, wages for all hourly workers declined 10 percent over the last two decades. The real value of the minimum wage fell by 22 percent during the same period – double the amount of decline for all hourly workers.

MYTH 10: The minimum wage has no impact on the distribution of income.

REALITY: Analysis of the 1996-97 minimum wage increase by the Economic Policy Institute found that 57 percent of the gains from that raise went to families at the lowest 40 percent of the income scale.

An increase in the minimum wage will help American workers. We are currently experiencing the longest peacetime economic expansion on record. Unfortunately, not everyone has benefitted from this expansion. Raising the minimum wage gives us an opportunity to expand

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the benefits of the current prosperity to those who most need

Please let me know if you would like any more information.

Sincerely,

Pete Stark, MC
Ranking Member